



Department of
**Primary Industries and
Regional Development**

GOVERNMENT OF
WESTERN AUSTRALIA

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Committee Chair
Economics and Industry Standing Committee
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Dear Ms Shaw

Submission to the Economics and Industry Standing Committee Inquiry into Western Australia's Economic Relationship with India

The Department of Primary Industries and Regional Development (DPIRD), Western Australia (WA) welcomes the opportunity to provide a submission to the Economics and Industry Standing Committee into Western Australia's Economic Relationship with India.

DPIRD is supportive of efforts by the WA Government to understand the Western Australian Economic Relationship with India and opportunities to improve the trade and investment relationship.

DPIRD develops and implements state government policy for the agrifood sector and assists private industry in this sector to realise potential in both domestic and export markets. This submission (Attachment 1) will address the terms of reference with a focus on WA trade and investment opportunities and barriers for the WA agrifood sector, more specifically the:

- Current status of India's agrifood trade relationship with Western Australia;
- Existing barriers or impediments to agrifood trade; and
- Opportunities to strengthen the agrifood trade relationship, including:
 - Strategies to attract inbound investment into Western Australia; and
 - Developing existing and new agrifood export markets in India in target sectors, including agribusiness.

Thank you for the opportunity to provide a submission to this Standing Committee Inquiry.

Yours sincerely

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Current Status of Western Australian Agrifood Trade with India

India is WA's 16th largest agrifood export market valued at \$77.2 million in 2017/18. There is no consistent trend in the value of WA agrifood exports to India between 2012/13 to 2017/18, with the value of trade to India fluctuating between more than \$55 million in 2012/13 and \$117.2 million in 2016/17. The peak in 2016/17 was due to opportunistic wheat exports.

WA key exports to India in 2017/18 were wool (\$52.5 million), oats and processed oats (\$10.6 million), wheat (\$10.1 million), essential oil concentrate (\$1.6 million), sandalwood (\$0.8 million) and skins and hides (\$0.6 million).

There were no pulse exports during the 2017/18 financial year, primarily due to unfavourable increases in tariffs applied by the Indian Government. Prior to this, pulse exports (mainly chick peas and field peas) were valued at \$3.5m in 2016/17 and were valued at over \$7m in 2012/13.

In contrast, WA imported \$22.1 million worth of agrifood products from India in 2017/2018. Key imports were rice (\$4.7 million), thickeners (\$2.7 million), food ingredients (\$1.5 million), cucumbers and gherkins, wheat flour and biscuits.

Existing barriers to Western Australian agrifood trade with India

India's agricultural policy remains heavily influenced by government supports. India applies: minimum support prices (MSP) for basic staples (23 crops) including rice, wheat, oilseeds, cotton, coarse grains and pulses; ad hoc market intervention schemes for commodities not covered by the MSP; farm input subsidies for fertilizer, irrigation and utilities; a system of public procurement, distribution and stockholding to provide subsidised food grains to low-income groups; and trade restrictions.

India uses trade policy, such as export taxes, minimum export prices and adjustments to import duties, as a means to regulate domestic supply and to address short-term objectives, such as controlling inflation and fluctuations in commodity prices.

The challenge for trade with India is the complex regulatory and commercial environment, with additional layers created by state and local regulatory authorities adding to complexity. Federal and state taxes significantly impact on imported goods, and on commercial decisions to export to India, as do commercial concerns about receiving payment for goods and services.

The Australia-India Comprehensive Economic Cooperation Agreement (CECA), announced in May 2011, provides opportunity to improve the conditions of trade, however, the Commonwealth Government has advised that India's current Goods offer excludes agriculture, and this position was also strongly reflected in India's offer to non-Free Trade Agreement partners, including Australia, in the Regional Comprehensive Economic Cooperation Agreement (RCEP). Negotiations on CECA are currently stalled, as India has prioritised the finalisation of the RCEP.

Tariffs and quotas impacting on trade

Since mid 2017, India has implemented a series of changes to its trade policy on pulses, grains and sugar, designed to increase prices and farmer incomes. There is also quantitative restrictions on some pulse imports.

All of these changes were announced by the Indian Government with immediate effect, not allowing for sufficient consideration or transitional arrangements for goods already in transit or purchased under contract.

From a WA grain and pulse industry perspective, the increased duty on wheat (currently 44%), chickpeas (currently 66%) and field peas (55%) has had the biggest impact. DPIRD understands that the Australian Government is making bilateral and multilateral representations to India on these issues and that the Australian pulse industry is supportive of the Australian Government joining Canada and the United States in a World Trade Organisation counter notification against Indian government market price support for pulses. Australia has already joined Brazil in making a formal complaint to the World Trade Organisation over India's sugar subsidies.

Non-tariff barriers impacting on trade and market access

India has restrictions on phytosanitary treatments for imported grains. India requires Australia to fumigate grain with methyl bromide to ensure no live insects are present. The Australian grain industry (including Western Australia) uses and prefers phosphine. This issue is considered a national industry priority and is being actively pursued by the Federal Department of Agriculture.

In June 2018, and again in October 2019, as part of India-Australia Plant Technical Discussions led by Federal Department of Agriculture, DPIRD delivered a visit program for the Indian Department of Agriculture Cooperation and Farmers Welfare to gain support for:

- acceptance of phosphine fumigation as an effective treatment (and better alternative to methyl bromide) for Australian malting barley exports to India; and
- new market access for Australian avocados to India.

DPIRD will continue to engage with the grain and avocado industries and the Federal Department of Agriculture to progress WA market access objectives.

DPIRD understands from the Federal Department of Agriculture that India is seeking market access to Australia for a number of its horticulture products, including table grapes.

Opportunities to strengthen the trading relationship with India

Strategies to attract inbound investment to Western Australia

DPIRD is the lead agency for agriculture and food investment attraction and facilitation, including being the central point of contact for information and advice on investing in Western Australia (WA).

WA welcomes foreign direct investment, and is dedicated to supporting the growth and development of the state's agriculture, fisheries and food industries through capital raising.

WA has an extensive agriculture base. Its diverse climatic regions and vast natural resources allows for the production of a wide range of high-quality produce. Its location and strong links with Asia, combined with its exceptional environmental credentials and stringent biosecurity systems, place Western Australia in a unique position to capitalise on this growing demand.

There is significant scope for investment to further develop the state's food production capacity, and provide innovative processing and logistics solutions to deliver safe, premium quality foods for export.

Foreign investment in WA is often tied to offtake and export, and market access for WA produce into key markets is important to support investment.

DPIRD's investment attraction strategy is to provide:

- information to support investment decisions, including:
 - doing business in WA;
 - industry and sector intelligence, potential regulatory requirements; and
 - approval processes.
- investor readiness support, including capacity development for businesses that are considering capital raising;
- investor ready project development, including financial incentives for key sectors and sites to support businesses to grow and diversify, and develop investment opportunities;
- investment facilitation, utilising skills and knowledge to:
 - connect investors and proponents;
 - provide access to a network of professional service providers;
 - identify investment and research partnership opportunities;
 - support investor delegations and site visits;
 - identify access to natural resources and infrastructure; and
 - provide aftercare to support entry to Western Australia, including dedicated support to potential, incoming and existing investors.
- regulatory approval support, working with DPIRD and other agencies to assist in understanding required regulatory approvals

Developing existing and new agrifood sector export markets

Despite policies of the Indian Government to limit importation of food through the development and government support of domestic agriculture and the restriction of imports, forecasts estimate that India will remain a large importer of staples such as pulses.

Growth in other regularly consumed food staples is expected to be the strongest in fruit and dairy products.

From a WA perspective target agrifood products are grains (particularly malting barley), pulses (lupins, chickpeas, lentils), rolled oats, and avocados. There is also opportunity for WA agribusinesses to provide product and services related to grain storage and handling.

Grains and pulses

DPIRD jointly funds the Australian Export Grains Innovation Centre (AEGIC), which is investing in understanding the dynamics and quality requirements of the Indian market for wheat and barley. AEGIC is currently finalising its analysis of the opportunity for Australian malting barley in India. Findings indicate:

- Indian maltsters and brewers are very eager to have the option to import malting barley from Australia again.
- India produces 1.6-1.8 million metric tonnes of barley annually (80% feed, 20% malting). The area planted to barley in India has recently stabilised after 10 consecutive years of decline. The decreased barley production is influenced by several factors, including a low incentive minimum support price paid by the government compared to other grain crops, along with other sustainable production issues. India could experience a further decrease in barley production as farmers switch to higher incentivised government-supported crops.
- Depending on price, Indian malting and brewing companies will import malting barley, as the quality is significantly better than domestically produced barley. They know that imported product provides greater yields of many quality attributes, including malt extract and diastatic power, in addition to the economic savings from a more uniform product.
- Indian malting and brewing companies save additional resources, administration and time on procuring one imported cargo of grain compared to procuring the same quantity domestically.
- Currently, India imports mostly Fair Average Quality barley from Argentina and some malting barley from France and other European Union Countries. Australian exports of barley to India are constrained due to a phytosanitary market access issue currently being addressed by the Australian Federal Department of Agriculture with support from DPIRD and the national and WA grains industry.
- There is opportunity to educate the Indian malting and brewing industry on the availability and quality of Australian malting barley varieties to support demand.
- Anecdotal evidence from the WA grain industry suggests that flour mills in southern/eastern India would like to source more WA origin milling wheat, and can do so when the Indian tariff differentials drop to around +20%.

With regard to pulses, India is Australia's (and WA's) biggest and most important market for pulses. Import demand for pulses from the Indian sub-continent is likely to continue in order to meet the domestic consumption requirements given the likelihood of shortfalls in domestic supply. As seen recently, the size of the local crop strongly influences the level of imports and tariffs applied each year.

AEGIC has completed market visits with Indian pulse processors and purchasers to conduct pulse quality preference surveys with participants. The feedback on Australian pulse quality and supply has been consistently positive.

India is also considered a potential market for WA lupins, however there is currently no food safety recognition of lupins for human consumption to allow trade to occur.

With regard to rolled oats, recent improvements in market access (India classification of processed oats as a highly processed plant product) means that exports can occur without unnecessary phytosanitary treatments reducing costs for exporting businesses and improving the trade conditions.

Avocados

If new market access can be gained for Australian avocados into India, this would present an additional export market opportunity for the Western Australian avocado industry. Whilst India is not the highest priority for the industry at present, DPIRD is supportive of the Federal Government opening multiple export markets for WA avocados, given the industry is experiencing significant growth. It is now the largest fruit industry in WA, accounting for 45% of the gross value of agricultural production for fruit (including nuts, excluding wine grapes) in 2017/2018. WA avocado production in 2017/2018 accounted for 30% of Australia's total production, and, with approximately 33% of avocadoes trees in WA not bearing fruit, there will continue to be an increase in supply.

Premium Food and Beverage

With regard to premium foods and beverages, DPIRD's Agribusiness, Food and Trade Team will, in conjunction with the WA Government Office in Mumbai, continue to monitor opportunity and reiterate the premium nature and availability of WA products to targeted retailers, distributors and major food service providers in India.

Grain Storage Technology Equipment and Services

In September 2019, the Grain Industry Association of Western Australia (GIWA), in conjunction with Austrade, hosted an India Grain Storage and Finance Delegation, responsible for managing 1.3 million tonnes of pulses and spices in India. There were representatives from India's:

- National Bank for Agricultural and Rural Development Bank NABARD;
- National Commodities and Derivatives Exchange NCDEX;
- National Commodities Clearing Limited NCCL;and
- Securities and Exchange Board of India SEBI.

The purpose of the visit was to investigate options for upgrading grain storage technology and use of phosphine fumigation to manage insects. GIWA developed a visit program that positioned WA as world leaders in grain storage technology and insect management, including fumigation, and promoted the capability of WA agribusinesses providing silo and sealing products.